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C O N F I D E N T I A L BAKU 001168

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [AJ](#) [IR](#) [ENRG](#)
SUBJECT: CORRECTED COPY -- FORMAL REQUEST FOR GUIDANCE
CONCERNING USG EURASIAN ENERGY POLICY AND AZERBAIJAN'S SHAH
DENIZ GAS FIELD

Classified By: CDA Don Lu, Reasons 1.4 (b,d)

[1](#)1. (U) This is an action request. See paragraph 6.

[1](#)2. (U) On November 26, 2008 the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) identified the National Iranian Oil Company (aka NIOC), Naftiran Intertrade Company Ltd (aka NICO) and Naftiran Intertrade Company Co. SARL as entities owned or controlled by the Government of Iran. This action placed these entities on the list in the Iranian Transactions Regulations (ITR) of entities determined by OFAC to be owned or controlled by the Government of Iran.

[1](#)3. (U) According to the bulletin announcing this listing, (www.ustreas.gov/press/releases/hpl229.htm) "while the ITR do not impose an asset freeze, they do prohibit most commercial and financial transactions with entities owned and controlled by the Government of Iran . . . the ITR prohibit most transactions with NIOC, NICO and NICO Sarl, in any locations worldwide, because these companies are entities owned or controlled by the Government of Iran."

[1](#)4. (U) NICO is a ten percent owner of the Shah Deniz Consortium, a consortium of international companies developing Azerbaijan's offshore Shah Deniz gas field and operating the South Caucas Pipeline which transports most of this gas to Turkey and Georgia. Other Consortium members are BP (25.5 percent), Statoil (25.5), Total (10), SOCAR (10), LukAgip (10), and TPAO (9). In addition to a ten percent share of Shah Deniz gas production, as a consortium member NICO is also entitled to ten percent of the field's substantial oil condensate production (currently the most profitable part of the Shah Deniz operation).

[1](#)5. (U) Heretofore, one of the key pillars of the USG Eurasian energy policy has been to encourage the GOAJ and the Shah Deniz Consortium to develop the second stage of the Shah Deniz gas field (SD2) in order to provide sufficient gas to sanction at least one pipeline project to deliver gas to European markets, be it Nabucco, TGI or another commercially viable pipeline. Doing so would help diversify European energy supply and decrease its reliance on a single source of gas, in this case gas supplied from Gazprom.

[1](#)6. (C) Given the November 26 listing mentioned above, Embassy asks for formal guidance as to whether its advocacy and promulgation of SD2 gas sales to European companies can in any way be construed as advocating commercial transactions with a commercial entity at least partially controlled by the Government of Iran, and if so, whether it should cease all such attempts to advocate and work towards this end.

